

# HMRC extends Business Records Checks

HM Revenue & Customs (HMRC) has announced an extension of its Business Records Checks programme.

Business Records Checks were piloted earlier this year in eight key areas, and involve checks on the adequacy of small and medium-sized enterprises' business records.

The pilots found that around 44 per cent of businesses visited had issues with their record-keeping, while around 12 per cent of those visited had seriously inadequate records.

HMRC will now be extending this activity from mid-September to cover a number of key areas across the UK. As part of this, the number of full-time staff employed on the programme will rise from 30 to 120.

HMRC plans to complete up to 12,000 Business Records Checks by the end of the current financial year, with 20,000 provisionally planned for 2012/13. HMRC is increasing the number of visits, so it can refine the process, before final decisions on a national roll-out are taken in the New Year.

Initially, HMRC will only levy a record-keeping penalty in the most extreme cases of poor record-keeping. In the longer-term, HMRC intends to issue penalties of up to £3,000 for serious inadequacies in record-keeping. HMRC will issue guidance on this, and make a further announcement on when it will happen, in due course.

HMRC's Director of Local Compliance, Richard Summersgill, said:

"Good record-keeping helps businesses pay the right amount of tax at the right time, thereby potentially avoiding interest and penalties.

"Adequate records give businesses a clear idea of their trading position and profitability, allowing them to make business decisions and adjustments to ensure survival and success. And where a check has shown a business keeps adequate records, it gives HMRC a greater degree of assurance as to the likely accuracy of its tax returns.

"Ultimately, this is about supporting businesses and reducing the tax gap."

For further information on record-keeping, visit [www.hmrc.gov.uk/record-keeping](http://www.hmrc.gov.uk/record-keeping)

## Notes for editors

1. The Business Records Checks pilots involved around 800 visits, focusing on eight different sites (Edinburgh, Irvine, Sunderland, Liverpool, Manchester, Stockport, Sheffield and Portsmouth). The extended programme of visits will cover key areas in England, Scotland, Wales and Northern Ireland.

2. Research by the Organisation for Economic Cooperation and Development (OECD) indicates that poor business record-keeping generally leads to an underassessment of tax, even where there is an audit-type check into a return for the period covered by such records. On this basis, poor business record-keeping is responsible for a loss of tax in up to two million SME cases annually.
3. A guide to setting up a basic record-keeping system is available from the Business Link website at [www.businesslink.gov.uk/startrecordkeeping](http://www.businesslink.gov.uk/startrecordkeeping).

**Issued by HM Revenue & Customs Press Office**